

# SBA Loan Programs and Resources

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U.S. Small Business Administration Seattle District Office

# What We'll Cover

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- SBA Overview
- 7(a) Guaranteed Loan Program
- What Lenders Look For
- Other SBA Loan Programs
- Additional Resources
- Questions

# General SBA Information

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- Independent agency of Federal Government
- Established to help small business start, grow, and succeed.
- We accomplish our core mission by focusing on:
  - Capital
  - Contracting
  - Counseling

# 7(a) Guarantee Loans

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- The agency's "flagship" financing program
- Available from most commercial lenders
- SBA guarantees up to 85% of loan
- Mitigates risk to lender
- Facilitates otherwise unavailable financing

# Common 7(a) Loan Situations

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- New Business
- Lack of Earnings history
- Insufficient collateral
- Longer term than conventionally available
- Limited capital
- Industry considerations

# 7(a) Loan “Nuts and Bolts”

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- Maximum loan amount
  - \$5M, no minimum
  - Avg. loan = \$370K
- Maximum guaranty = \$4.5M
- Maximum interest rates
  - Prime + 2 ¼ to Prime + 2 ¾
  - higher spreads for smaller loans
- Maturities up to 25 years
- SBA charges a guaranty fee (2%-3.5%)

# Uses of 7(a) Loans

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- Term working capital, inventory, payables
- Lines of credit
- Equipment, tenant improvements, new or existing facilities
- Debt refinance, change of ownership
- About 1/4 of loans go to start-ups (businesses in operation 0-2 years)

# Top Seattle District FY 2016 Loan Recipients by Industry

<i>NAICS Code</i>	<i>NAICS Description</i>	<i>Count of NAICS</i>	<i>Sum Of NAICS Loans</i>
722511	Full-Service Restaurants	77	\$24,690,800
722513	Limited-Service Restaurants	46	\$13,501,800
621210	Offices of Dentists	31	\$15,116,600
721110	Hotels (except Casino Hotels) and Motels	23	\$47,797,000
447110	Gasoline Stations with Convenience Stores	21	\$25,240,500
621310	Offices of Chiropractors	21	\$6,173,800
238990	All Other Specialty Trade Contractors	18	\$7,995,000
621340	Offices of Physical, Occupational and Speech Therapists, and Audiologists	17	\$3,928,000
811111	General Automotive Repair	15	\$3,562,600
312120	Breweries	15	\$4,348,700
238910	Site Preparation Contractors	14	\$4,968,200
238220	Plumbing, Heating, and Air-Conditioning Contractors	14	\$5,067,800
722515	Snack and Nonalcoholic Beverage Bars	13	\$3,699,300
238210	Electrical Contractors and Other Wiring Installation Contractors	12	\$2,835,500
531120	Lessors of Nonresidential Buildings (except Miniwarehouses)	12	\$8,989,800
541990	All Other Professional, Scientific, and Technical Services	11	\$2,178,400
624410	Child Day Care Services	11	\$8,900,400



# 7(a) Loan Eligibility

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- Size
- Type of business
- Use of proceeds
- Character
- Credit elsewhere

# The SBA Loan Process

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- Business makes application to bank
- Bank applies to SBA
- Bank closes and services the loan
- SBA pays guaranty in event of default
- Usually no interaction between SBA and borrower

# Quick Reference to Loan Guarantee Programs



## QUICK OVERVIEW OF SBA LOAN GUARANTY PROGRAMS

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
<b>SBA Advantage</b> (previously known as 7(a))	\$5 million	85% guaranty for loans of \$150,000 or less; 75% guaranty for loans greater than \$150,000 (up to \$3.75 million maximum guaranty)	Term Loan. Expansion/renovation; new construction; purchase land or buildings; purchase equipment, fixtures, leasehold improvements; working capital; refinance debt for compelling reasons; seasonal line of credit; inventory or starting a business	Depends on ability to repay. Generally, working capital & machinery & equipment (not to exceed life of equipment) is 5-10 years; real estate is 25 years.	<b>Loans less than 7 years:</b> \$0 - \$25,000 Prime + 4.25% \$25,001 - \$50,000 P + 3.25% Over \$50,000 Prime + 2.25%  <b>Loans 7 years or longer:</b> 0 - \$25,000 Prime + 4.75% \$25,001 - \$50,000 P + 3.75% Over \$50,000 Prime + 2.75%  Fixed Rate: <a href="http://www.colsonservices.com">www.colsonservices.com</a> Click: News & Rates	<b>(No SBA fee on loans of \$150,000 or less approved in FY 2017.)</b> Fee charged on guaranteed portion of loan only. \$150,001-\$700,000 = 3.0%; \$700,001-\$1,000,000 = 3.5%; plus 3.75% on guaranty portion over \$1 million, 12 months or less .25%  Ongoing fee of 0.546%.	Must be a for-profit business & meet SBA size standards; show good character, credit, management, and ability to repay. Must be an eligible type of business.  Prepayment penalty for loans with maturities of 15 years or more if prepaid during first 3 years. (5% year 1, 3% year 2 and 1% year 3)	Long-term financing; Improved cash flow; Fixed maturity; No balloons; No prepayment penalty (under 15 years)
<b>SBA Advantage (7a) Small Loans</b> Is any 7a loan \$350,000 and under, except the Community Advantage and Express loans	\$350,000	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Same as SBA Advantage (7a) Plus, all loan applications will be credit scored by SBA. If not an acceptable score, the loan can be submitted via full standard 7(a) or Express.	Same as SBA Advantage (7a)
<b>SBAExpress</b>	\$350,000	50%	May be used for revolving lines of credit (up to 7 year maturity) or for a term loan [same as 7(a)].	Up to 7 years for Revolving Lines of Credit including term out period. Otherwise, same as 7(a).	Loans \$50,000 or less; prime + 6.5% Loans over \$50,000; prime + 4.5%	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Fast turnaround; Streamlined process; Easy-to-use line of credit
<b>SBA Veterans Advantage</b> 10/01/15 - 09/30/16	Processed under <del>SBAExpress</del> \$350,000  Processed under SBA Advantage (7a) \$5 million	Same as <del>SBAExpress</del>  Same as SBA Advantage (7a)	Same as <del>SBAExpress</del>  Same as SBA Advantage (7a)	Same as <del>SBAExpress</del>  Same as SBA Advantage (7a)	Same as <del>SBAExpress</del>  Same as SBA Advantage (7a)	No guaranty fee. Ongoing fee of 0.546% on loans above \$150,000.  Same as SBA Advantage (7a) except guaranty fee for non <del>SBAExpress</del> loans up to \$500,000 will be reduced by 50%. Ongoing fee of 0.546% on loans above \$150,000.	Same as 7(a) Plus, small business must be owned and controlled (51%+) by one or more of the following groups: veteran, active-duty military in TAP, reservist or National Guard member or a spouse of any of these groups, or a widowed spouse of a service member or veteran who died during service, or a service-connected disability.	Same as <del>SBAExpress</del> No guaranty fee  Same as SBA Advantage (7a) but with a reduced guaranty fee.
<b>CapLines</b> 1. Working Capital; 2. Contract; 3. Seasonal; and 4. Builders	\$5 million	Same as SBA Advantage (7a)	Finance seasonal and/or short-term working capital needs; cost to perform; construction costs; advances against existing inventory and receivables; consolidation of short-term debts. May be revolving.	Up to 10 years, except Builders <del>CapLine</del> , which is 5 years	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Same as SBA Advantage (7a) Plus, all lenders must execute Form 750 & 750B (short-term loans)	1. Working Capital - (LOC) Revolving Line of Credit 2. Contract - can finance all costs (excluding profit). 3. Seasonal - Seasonal working capital needs. 4. Builder - Finances direct costs in building a commercial or residential structure
<b>Community Advantage</b> Mission-focused lenders only. Expires 03/31/2020	\$250,000	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Same as 7(a)	Prime plus 6%	Same as SBA Advantage (7a)	Same as SBA Advantage (7a) Small Loans	Same as 7(a) Plus lenders must be CDFIs, CDCs, micro-lender or SBA Intermediary Lenders targeting underserved market.

U.S. Small Business Administration  
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SBA Answer Desk  
1-800-827-5722  
[www.sba.gov](http://www.sba.gov)

Information current as November 2016  
SBA Programs and services are provided on a nondiscriminatory basis.  
See the SOP for the most up to date detailed information

# Quick Reference to Loan Guarantee Programs



## QUICK OVERVIEW OF SBA LOAN GUARANTY PROGRAMS

Program	Maximum Loan Amount	Percent of Guaranty	Use of Proceeds	Maturity	Maximum Interest Rates	Guaranty Fees	Who Qualifies	Benefits to Borrowers
<b>International Trade</b>	\$5 million	90% guaranty (up to \$4.5 million maximum guaranty) (Up to \$4 million maximum guaranty for working capital)	Term loan for permanent working capital, equipment, facilities, land and buildings and debt refinancing related to international trade	Up to 25 years.	Same as SBA Advantage (7a)	Same as SBA Advantage (7a)	Same as SBA Advantage (7a) Plus, engaged or preparing to engage in international trade or adversely affected by competition from imports.	Long term financing to allow small business to compete more effectively in the international marketplace
<b>Export Working Capital Program</b>	\$5 million	90% guaranty (up to \$4.5 million maximum guaranty)	Short-term, working-capital loans for exporters. May be transaction based or asset-based. Can also support standby letters of credit	Generally one year or less, may go up to 3 years	No SBA maximum interest rate cap, but SBA monitors for reasonableness	Same as SBA Advantage (7a)	Same as SBA Advantage (7a) Plus, need short-term working capital for direct or indirect exporting.	Additional working capital to increase export sales without disrupting domestic financing and business plan
<b>Export Express</b>	\$500,000	90% guaranty for loans of \$350,000 or less; 75% guaranty for loans greater than \$350,000	Same as SBA Express plus standby letters of credit	Same as SBA Express	Same as SBA Express	Same as SBA Advantage (7a)	Applicant must demonstrate that loan will enable them to enter a new, or expand in an existing export market. Business must have been in operation for at least 12 months (though not necessarily in exporting).	Fast turnaround; Streamlined process; Easy-to-use line of credit. Loan can be for direct or indirect exporting.
<b>SBA Grow (previously known as 504)</b> Provided through Certified Development Companies (CDCs) which are licensed by SBA	SBA Grow (504) CDC maximum amount ranges from \$5 million to \$5.5 million, depending on type of business or project.	Project costs financed as follows: CDC: up to 40% Lender: 50% (Non-guaranteed) Equity: 10% plus additional 5% if new business and/or 5% if special use property.	Long-term, fixed-asset loans; Lender (non-guaranteed) financing secured by first lien on project assets. CDC loan provided from SBA 100% guaranteed debenture sold to investors at fixed rate secured by 2nd lien.	CDC Loan: 10- or 20-year term fixed interest rate.  Lender Loan: Unguaranteed financing may have a shorter term. May be fixed or adjustable interest rate	Fixed rate on SBA Grow (504) Loan established when the debenture backing loan is sold. Declining prepayment penalty for 1/2 of term.	SBA guaranty fee on debenture is 0.0%. A participation fee of 0.5% is on lender share, plus CDC may charge up to 1.5% on their share. CDC charges a monthly servicing fee of 0.625%-2.0% on unpaid balance. Ongoing guaranty fee is 0.697% of principal outstanding. Ongoing fee % doesn't change during term.	Alternative Size Standard: For-profit businesses that do not exceed \$15 million in tangible net worth, and do not have an average two full fiscal year net income over \$5 million.  Owner Occupied 51% for existing or 60% for new construction.	Low down payment - equity (10, 15 or 20 percent) (The equity contribution may be borrowed as long as it is not from an SBA loan) Fees can be financed; SBA / CDC Portion: Long-term fixed rate Full amortization and No balloons
<b>SBA Grow (504) Refinancing Program (Permanent)</b> Provided through Certified Development Companies (CDCs) which are licensed by SBA	Same as SBA Grow (504) (see <a href="#">SBA Policy Notice 5000-1382</a> dated 05/26/2016 for complete program information)	Loan to Value (LTV) Qualified and Secured Debt 90%. For projects that include "Business Operating Expenses (BOE)" the LTV is 75%. BOE may not exceed 25% of the fixed asset.	At least 65% of the proceeds of the (gar)s to be refinanced had to be originally used for eligible fixed assets.  May include the financing of eligible business expenses as part of the refinancing.	Same as SBA Grow (504)	Same as SBA Grow (504)	Same as SBA Grow (504) except, Ongoing guaranty fee is 0.731% of principal outstanding.	Log(s) to be refinanced can't be subject to a guaranty by a Federal agency, can't be a Third Party Loan which is part of an existing SBA 504 project and must have been current on all payments for the past 12 months. Both the business and (gar)s to be refinanced must be at least 2 years old.	Business can access equity in their commercial real estate for business operating expenses or refinance property on reasonable terms. Fees can be financed; SBA / CDC Portion: Long-term fixed rate Full amortization and No balloons
<b>Non-7(a) Loans Microloans</b> Loans through nonprofit lending organizations;	\$50,000	Not applicable	Working capital, supplies, machinery & equipment, fixtures, etc. Intermediary may choose to refinance debt. Cannot be used for real estate.	Shortest term possible, not to exceed 6 years	Negotiable with intermediary. Subject to either 7.75 or 8.5% above intermediary cost of funds.	No guaranty fee	Same as 7(a)	Direct loans from nonprofit intermediary lenders; Fixed-rate financing; Very small loan amounts; Technical assistance available

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This is an overview and does not include full policy and procedures. See the current Lender and Development Company Loan Programs SOP 50 10 5 for more details.

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# What Lenders Look For

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- Capacity
- Cash Flow
- Character / Credit
- Contribution
- Collateral

# Capacity: Management Ability

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- Experience
- In the industry
- As a manager or owner
- In that specific business
- Education
- Resume – Classes, Training, etc.
- Capable Management Team  
(staff & advisors)
- Action plan to get necessary skills

# Cash Flow for Start-up Business

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- New or less than two-years in business
- Show that projected earnings can repay loan
- What are your cash flow assumptions: where did you get those numbers?
- How?
  - Check Industry Trade Associations for your stats (National Restaurant Association, local chambers, other businesses in your field, etc.
  - Find your NAICS\* code and check the RMA\*\* Annual Statement Studies (\*North American Industry Classification System; \*\*Risk Management Association, formerly Robert Morris and Associates)
- The “Sixth” C: Customers ...
  - demonstrate your market

# Cash Flow for Existing Business

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- Historical cash flow / income statements
- Purchase of existing business: changes with new ownership
- Debt service to seller who finances some part of existing business purchase



# Character/Credit

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- Payment history
- Personal and business credit history
- Bankruptcy and bad credit
- Criminal history (SBA Form 912)
  - May delay processing of loan
- If married or separated
  - By regulation spouse must sign financials (in community property states)

# Contribution: Your Investment

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- You must use some of your own money/cash
- Indicator of stability, ownership commitment
- How much?
  - New business average 20-35%
- From where?
  - Borrowing from friends and family
  - Borrowing against personal assets
  - Other capital: seller financing or investors

# Collateral: Security for the Loan

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*Collateral are the assets you may lose if your business fails*

- SBA loans secured to the extent possible
- Lenders discount collateral value
- Lack of collateral does not preclude SBA financing
  - SBA guaranteed loans are generally more flexible, in situations where collateral is limited

# Other Financing Sources

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- SBA Microloan Program
  - Business Impact Northwest (formerly CCD)
  - Ventures (Formerly Washington CASH)
  - Mercycorps NW
- Other Government Funded Programs
  - USDA
  - SBA Community Advantage
- Newer funding platforms

# Other Resources

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- SCORE [www.score.org](http://www.score.org)
- SBDC Network [www.wsbdc.org](http://www.wsbdc.org)
- Women's Business Centers
  - Seattle: (206) 324-4330
  - Lacey: Traci Hansen [Thansen@thurstonedc.com](mailto:Thansen@thurstonedc.com)  
(360) 754-6320
  - Spokane: Cara Weipert [Weipert@snapwa.org](mailto:Weipert@snapwa.org)  
(509) 456-7106 x123

# Final Thoughts

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## ● Be Prepared

- Business plan/loan proposal
- Be ready to discuss (with confidence)
- Anticipate lender's questions
- Bring supporting documents
  - ☐ Personal/Business Tax Returns
  - ☐ Personal/Business Financial Statements.
  - ☐ Resume
  - ☐ Cost Documents
  - ☐ Executive Summary
  - ☐ Business Plan

# Questions?

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